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SIPDIS  
TELEGRAM

July 07, 2004

To: No Action Addressee  
Action: Unknown  
From: AMEMBASSY ABU DHABI (ABU DHABI 2272 - PRIORITY)  
TAGS: PREL, PGOV, ECON, EFIN, EINV  
Captions: None  
Subject: A TRICKLE, BUT NO RUSH OF PEOPLE AND CAPITAL FROM SAUDI  
ARABIA TO THE UAE  
Ref: None

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C O N F I D E N T I A L ABU DHABI 02272

SIPDIS  
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INFO: FCS  
CXABU:  
ACTION: POL  
INFO: P/M ECON RSO AMB DCM

DISSEMINATION: POL  
CHARGE: PROG

APPROVED: CDA:RAALBRIGHT  
DRAFTED: POL:JFMAYBURY  
CLEARED: ECON:CMARTIN-CRUMPLER CG:JDAVIS FCS:MOBRIEN

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FM AMEMBASSY ABU DHABI  
TO RUEHC/SECSTATE WASHDC PRIORITY 5042  
INFO RUEHDE/AMCONSUL DUBAI 4135  
RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE  
RUCPDOG/USDOC WASHDC  
RUEATRS/TREASURY DEPT WASHDC

C O N F I D E N T I A L SECTION 01 OF 03 ABU DHABI 002272

SIPDIS

STATE FOR NEA/ARP, NEA/RA, AND EB  
COMMERCE FOR CLOUSTAUNAU,  
4500/ITA/MAC/DAS  
3131/CS/OIO/ANESA

E.O. 12958: DECL: 07/06/2009  
TAGS: [PREL](#) [PGOV](#) [ECON](#) [EFIN](#) [EINV](#) [SA](#) [TC](#)  
SUBJECT: A trickle, but no rush of people and capital  
from Saudi Arabia to the UAE

Classified by Richard A. Albright, Charge d'Affaires,  
a.i., reasons 1.5 (b) and (d).

1. (C) Summary: Terror attacks and insecurity have  
prompted a small number of expatriates to leave Saudi  
Arabia and relocate to the United Arab Emirates,  
according to business, government, and diplomatic

contacts, as well as press reports. The limited exodus concerns individuals, not entire firms. Meanwhile, the UAE's stable business climate has continued to attract Saudi investment, especially in the real estate market, and there is evidence that fund flows from Saudi Arabia into the UAE's capital markets have driven up the UAE stock market. End Summary.

¶2. (U) After the recent series of terror attacks in Saudi Arabia, rumors began circulating in the UAE about an exodus of expatriates and Saudi capital from the Kingdom. According to local press reports, terror bombings had created a panic within the Western community, and started to stifle capital flow into Saudi Arabia.

¶3. (U) The Gulf News on June 22 quoted Saudi economist Ihsan bu Hulaiga as saying that reports about the relocation and withdrawal of some Western companies from Saudi Arabia are exaggerated." These firms are very well established in Saudi Arabia and a pullout was not an option, he said. "Don't forget that we are now into summer and many expatriates, including Westerners, leave Saudi Arabia for their annual holidays. This might have given rise to speculation that Westerners are fleeing Saudi Arabia because of those terror attacks," he added.

American citizens and other expats trickling out  
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¶4. (C) American citizen and immigration authority contacts have told our consular staff that several Amcits either have relocated, or are seeking to relocate, from Saudi Arabia to the UAE for security reasons. A hospital administrator at Shaykh Khalifa Medical Center in Abu Dhabi told one of our consular staff, "We are receiving a greater than usual number of applications from (American) employees currently working in Saudi Arabia and we have (hired) a number of staff in the last year from that country."

¶5. (C) Colleagues at other diplomatic missions in the UAE had similar anecdotes. "There is a lot of unhappiness among Indians" over the security situation in Saudi Arabia, Indian Embassy First Secretary Suresh Reddy told Polchief. "We are getting calls from our citizens who are interested in any openings in companies in the UAE. These are engineers and other professionals. "They are looking to move out because of their sense of insecurity."

Businesses staying put  
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¶6. (C) While some individuals may be leaving Saudi Arabia out of a sense of insecurity, we have no reports of companies transferring their operations or large numbers of employees to the UAE for security reasons. Foreign firms are very well established in Saudi Arabia and have the means to protect their employees and families in the Kingdom, American business contacts in the UAE told us. John Velliquette, President of the American Business Group of Abu Dhabi and Vice President and Operations Manager for Raytheon, said his company had no plans to transfer any personnel to the UAE, even though he had suggested it. "Headquarters refused, saying that if things were that bad, why keep people close to the fire. It is better to send them back to the U.S.," he said. Contacts at the American Business Council in Dubai, while commenting frequently on a long-standing multi-year trend of multinational companies moving their regional headquarters from Saudi Arabia to Dubai for "quality of life" reasons, have given no indication that they perceive the trend to have accelerated in recent weeks.

¶7. (C) Dieter Onken, a German security expert who said he came to Abu Dhabi in 2003 after spending 21 years in Saudi Arabia, maintains there is no mass exodus from Saudi Arabia in any direction. Onken told Polchief that some individual business people may transfer to the UAE if their operations allow it, "but it is not on a massive scale." A small company may move to Jebel Ali near Dubai, he added, but large companies will stay in Saudi Arabia because they have the means to protect themselves. He said he did not leave the Kingdom for security reasons, and is, in fact, considering going back to start his own security company with a Saudi partner. "People simply have to be careful. This situation could go on for a while."

¶8. (C) Some U.S. company representatives (specifically the smaller defense contractors at Al-Dhafrah Air Base) told us that they are experiencing difficulties filling open slots in the UAE. The senior Systems Administrator (please protect) for the communications contract at the air base noted that his employees had not expressed any security concerns to him and did not intend to return to the United States before completion of the contract. He wondered, however, if events in the region were discouraging qualified people from applying for several vacant positions. "We had no problem filling these slots this time last year, but now we're not even receiving resumes." In Dubai, however, the rental market in neighborhoods favored by expatriate families has heated up markedly in the past two months, during a season (early summer) that normally sees higher levels of vacancies due to families departing at the end of the school year. This year, contacts in the real estate industry tell us, four-bedroom villas are scarce, and those that come on the market are snapped up quickly, at rates 10-15 percent higher than those that prevailed several months ago. The perception among realtors is that the boom is being fueled by families relocating from Saudi Arabia. The families who choose Dubai are said to be only a small fraction of those that are choosing Bahrain, a factor that leads many to believe that recent developments in Bahrain could lead to an even greater influx into Dubai.

Saudi capital boosts UAE stock market  
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¶9. (U) On June 20, Gulf News reported that fund flows from Saudi Arabia into the capital markets of the UAE were responsible for the strong performance a week earlier of the Dubai Financial Market (DFM) and Abu Dhabi Securities Market (ADSM). "This is because many consider the UAE as the safest place in the region and hence they are bringing in money to the bourses here where the valuations are also relatively attractive," a broker told the newspaper. Official statistics from the UAE Stock Authority, which nominally oversees both the Abu Dhabi and Dubai exchanges, indicate that approximately 7 percent of investors on the UAE exchanges are from Saudi Arabia. Saudi participation in the DFM and ADSM has increased by 3 percent since late last year.

Saudi investment targets Dubai real estate market  
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¶10. (C) There is a long history of Saudi investment in Dubai, particularly in real estate, but we have been hearing numerous reports that the trend has been picking up of late. Several new high-rises along Shaykh Zayed Road in Dubai have reportedly been purchased outright by investors from Saudi Arabia. One of the most prominent examples is the Al Salam Group's \$150 million acquisition of the Dubai International Financial Center's flagship "Gate Building." While it is not possible to say with

certainty that nervousness about the situation at home is prompting Saudis to pull out their money and put it elsewhere in the neighborhood, there is certainly a perception here that such a trend is at play, and some anecdotal evidence to back it up.

¶11. (C) Nabil Maaloul (please protect), a Tunisian financier with strong Emirati and Saudi contacts, predicted that 2004 would be a record year for Dubai in terms of attracting Saudi capital, especially in the real estate market. "Saudis feel the Kingdom of Saudi Arabia is weak and are uncomfortable sending money to Europe." Maaloul went on to add, "Dubai is safe, secure, and modern - it is the last good chance for (Saudis) to invest in the region."

ALBRIGHT